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## Comparative Evidence of Two Cities on Cross-Border Entrepreneurs And Their Business Success: Auckland and Kuala Lumpur

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### Abstract

Cross-border entrepreneurs in small business are increasingly redefining and reshaping nations. Comparative evidence in literature of cross border entrepreneurs has been almost non-existent hence filling a significant vacuum in the literature. The purpose of this research is firstly, to compare and contrast the effects of business issues on business success between two cities of Auckland, New Zealand and Kuala Lumpur, Malaysia. This research employs a mixture of both qualitative and quantitative methods. Quantitative data is obtained from primary data that is secured by a survey carried out on immigrant entrepreneurs of small retail business in Auckland and Kuala Lumpur. To enable the study to explore the dimensions with respect to the underlying items, exploratory factor analysis (EFA) and confirmatory factor are conducted using AMOS before a structural model is developed and tested. The research finds that there are factors that positively contribute to the business success of cross-border entrepreneurs in Auckland and Kuala Lumpur. The analysis of the structural paths shows a significant relationship between the business issues and business success in both cities. Thus, cross border entrepreneurs can be a great source of employment generation, innovation and future impetus for the economic growth of these respective cities.

**Keywords:** Entrepreneurship; Small Business; Immigrants.

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### Introduction

Cross border entrepreneurs are becoming increasingly crucial as international migration has greatly increased in recent decades. Cross border entrepreneurs may be described as individuals who start up and operate businesses outside their countries of origin. Some scholars also refer to them as immigrant entrepreneurs (Lin, 2015; Ribeiro-Soriano and Mas-Verdú, 2015). Observing the potential contributions from their presence, they can be considered to be a driving economic impetus and business stimulus in many countries. In stressing this, however, the extent and nature, opportunities and challenges confronting cross border entrepreneurs have been greatly under-researched. Consequently, their contribution to the economy and employment generation in countries of destination and origin are similarly undervalued by policy-makers. In extreme cases earlier literature indicated that migrant entrepreneurs were viewed with suspicion, if not hostility, by citizens and officials (Crush, 2015). However, cross borders entrepreneurs are likely to be more

entrepreneurial than locals, because they tend to create a higher number of jobs and provide goods and services that might not have existed or have been limited in their absence (Forsman, 2011; McKeever et al., 2014). Their presence and contribution is clearly felt in countries such as the USA, the UK, Australia, Canada and Germany. Cross border entrepreneurs also promote more trade, especially with their country of origin. In addition, cross-border entrepreneurs appear to have a higher tolerance for risk as they have been found to do better economically than the locals (Crush, 2015). In addition, immigrant entrepreneurs are said to be more innovative and creative in that their survival strengths and strategies are said to be much higher, when compared to their local counterparts (Desiderio, 2014).

The case is equally applicable to New Zealand where special preference for admission is given to immigrant entrepreneurs, although Malaysia has gradually followed a similar approach in recent times. Over the past two decades the New Zealand government has shifted its immigration policy objectives to focus on attracting highly skilled entrepreneurs who are interested in investing in and developing businesses in high-growth markets (Business Immigration NZ, 2016). The Malaysian government introduced favourable policy incentives to attract foreign investors and entrepreneurs in recent times as well (Invest in Malaysia, 2016). Although New Zealand and Malaysia have different levels of development and economic growth rates, migrant preferences and market opportunity records show that they have been able to attract business migrants with different profiles (World Bank, 2016a). New Zealand, which is categorised as a high-income nation with per capita income GNI of US\$40,100 per annum, is an attractive destination for cross border entrepreneurs. Malaysia, on the other hand, is grouped in the upper middle income category with per capita income of US\$10,600 per annum (World Bank, 2016b). These factors provide a basis for a comparison of cross-border entrepreneurs, their business issues and their business in order to establish a highly valuable body of knowledge. Useful information could therefore result from appropriate research.

It is equally important to note that cross border entrepreneurs and their involvement in small business has been subject to limited research. Unfortunately however, there has not been any study conducted on cross border entrepreneurs in small business comprising Auckland and Kuala Lumpur. Thus, a research initiative that focuses on comparative research promises to be insightful and beneficial to researchers. Hence, this research is aimed at identifying similarities and differences in cross border entrepreneurs of small retail businesses between Auckland and Kuala Lumpur. This article is therefore organised into a literature review, research method, findings and a summary and conclusions. The literature review section evaluates past empirical research which is related to the current study. The research method describes the method adopted to fulfil the research objectives for both cities. The empirical findings show clear differences in the entrepreneurial profile as well as enterprises between Auckland and Kuala Lumpur. The last section focuses on the results, conclusions and some implications.

### **A review of literature on cross-border entrepreneurs**

Cross border entrepreneurs are increasingly being studied as international migration continues to increase. However, little is known about cross-border entrepreneurs and their involvement in small businesses. Similarly, many earlier scholars generally agreed that international migration contributes significantly to the economies of sending and receiving countries (Kloosterman et al., 1998). However, cross-border entrepreneurs have not been adequately studied, yet their presence in and potential contributions to a country's economy are increasingly being recognised globally. According to Zlotnik (2016), the increase in migrant investments and technological innovations linked to transnational migration has caught the attention of the various sending and receiving governments. Countries, notably the USA, Canada, Australia and the UK, have a positive approach and are more receptive towards international migration than some other countries. Cross border entrepreneurs with their entrepreneurial drive, experience, management skills, as well as human and physical capital also appear to be a complementary “push and pull” of sending and receiving countries. “Push factors” commonly refer to internal circumstances of sending countries, including

unfair treatment, being expensive, difficulty in getting financial support, high start-up and expansion costs, lack of equitable access to economic opportunities, global sanctions, lack of scientific and technical access and cumbersome administrative and governmental systems. The lack of access to high quality and open telecommunication is among the most frequently highlighted in the sending countries. Meanwhile, “pull factors” generally relate to attraction to recipient countries, which includes open access to global markets, access to technical expertise and spare parts, communication facilities, soft and effective administrative bureaucracy, fast start-up as well as lower start-up and expansion costs and ease of getting financial support for expansion (Rahmandoust et al., 2011).

The literature tends to indicate that there are two different migratory pathways for entrepreneurs. The first migratory pathway is associated with cross-border entrepreneurs who are motivated by the same basic economic parameters that drive labour migrants who seek expected higher income. Migrant entrepreneurs in this category initially aim to improve their economic situation after arrival at their target location. Expected income from job opportunities thus attracts them to cross the border when spatial imbalances in the distribution of production factors forces them to do so (Todaro and Smith, 2015). Circumstances in the later part of their situation changes this labour migration to entrepreneurial migration by opportunities arising out of high economic growth rates. The second migratory pathway is related to cross border entrepreneurs who have acquired management skills, who have capital and knowledge as well as basic sources of entrepreneurial activity. The motivation behind this cross border initiative is to search for a suitable destination that offers the best opportunity for profit. While labour migration depends on job availability, cross border entrepreneurs create jobs for themselves and for locals (Nel and Abdullah, 2015).

Cross-border entrepreneurs play, or potentially play, a crucial role in the economies of recipient nations. A compilation of studies by Crush (2015) found that one-third of cross border entrepreneurs in South Africa sourced their goods from a wholesaler in South Africa and another 10 percent from local small shops as compared to only 9 percent who sourced the supplies in their home country or some other country. More than half of migrant entrepreneurs paid rent for their business premises to South Africans or to the local council or municipality. Cross border entrepreneurs also employ more people than their South African counterparts (Crush, 2015). In Turkey, it is recorded that more than 50,000 entrepreneurs of Turkish origin in Germany created over 185,000 jobs and 73 percent relied on supplies from Germany businesses (Zlotnik, 2016). A new study by German government-owned development bank KfW found that people with a migrant background launch businesses more often than lifelong German residents (InfoMigrant, 2019). In US, it is estimated that there are 2.4 million cross border entrepreneurs. This represented 18.2 percent of all business owners between 2006 and 2010 (Kerr and Kerr, 2016). According to Desiderio (2014), there were a total of 456,073 cross border entrepreneurs in the UK between 2006 and 2010 who represented 14 percent of all UK companies, implying that immigrant entrepreneurs make a considerable contribution to the United Kingdom’s economy, job opportunities and their employment creations.

Meanwhile, Naude et.al. (2017) stressed that the positive developmental impact of migration is more significant and that they concludes that removal of discriminatory barriers against migrant entrepreneurs in labour, consumer and financial markets are essential. This due to the fact that removal of those barriers would promote development in both sending and receiving countries (Naude et.al. (2017). Positive development of migrant entrepreneurs is well endorsed by many. UNCTAD (2018), states that positive economic development and community well-being at home and their new places of residence, however, sufficient support and recognition should be provided properly to migrants. In doing this, skills upgrading, building capacity and capabilities, and entrepreneurial spirit that are often acquired in migration should, among others being given priority.

### **Cross border entrepreneurs in New Zealand and Malaysia**

New Zealand is one of the top four settlement countries in the world together with Canada, Australia and the United States (Desiderio, 2014). This has led to New Zealand receiving many immigrants, including immigrant entrepreneurs, in recent times. The catalyst is the New Zealand government's policy of encouraging skilled migrants and business migration to the country as a very viable policy to spur economic growth. It is recorded that in 2005, almost 20 percent of New Zealanders had been born overseas, which is one of the highest percentages of any country in the world. According to Immigration New Zealand (2016), nearly 100,000 people were issued permits to work in sectors ranging from information technology to horticulture in the 2005-2006 year. Meanwhile, a total of 52,000 people were approved for permanent New Zealand residence in the two years of 2005-2006. Over 60 percent were approved under the skilled or business categories. A revised Immigration Act 2007 allowed a total amount of NZD\$2.5 million to be the minimum for the Business Investment Migrant Category, allowing more cross border entrepreneurs into New Zealand (INZ, 2015).

It is recorded that more than 80 percent of migrants who came to New Zealand settled in Auckland. This is probably due to the fact that Auckland provides the most readily available specialist business services and logistics compared to the rest of New Zealand. Statistics show that about 97 percent of New Zealand businesses consist of small business with fewer than 20 full-time employees with about 420,207 businesses employing five employees or fewer (Auckland Chamber of Commerce, 2015). Small businesses account for 40 percent of the national economic output. A substantial majority of these businesses are in the retailing sector which predominantly involves the retailing and services sector (Auckland Chamber of Commerce, 2015). In this regard, there is a growing number of cross border entrepreneurs who initiate retail businesses as an avenue to staying and living in New Zealand. Some of them are believed to have come in under the skilled migration category, however, ending up by starting up their own retail businesses as job opportunities were found to be difficult to secure. Moreover, there have been circumstances in which certain small retailing businesses have changed hands from the local owners to immigrant owners. This is especially relevant to retail businesses such as grocery shops, petrol stations, cafés and restaurants, souvenir shops and butcheries.

In Malaysia, cross border entrepreneurs are on the increase, being approximately 1.7 million foreign workers (with work permits), but the number of unregistered immigrants is said to be far higher (Malaysia, 2006). Malaysia is one of the fastest growing economies in the Asian region and plans to become a developed nation by the year 2020. To realise this target, the Malaysian government employs appropriate incentive policies to attract foreign investors and entrepreneurs. Being a relatively young nation with a growing population, situated near China and Singapore and having huge natural resources, makes Malaysia relatively attractive to prospective investors and entrepreneurs. However, the migratory pathways of entrepreneurs to Malaysia are said to be closer to the first pathway i.e. attracted by the basic economic opportunities which drives labour migrants, rather than the second pathway of a direct entrepreneurial venture (see, for example, Rahmandoust et al., 2011). These labour migrants pay their way by searching for work, intending to cover the cost of living in Malaysia. Many cross border entrepreneurs who start their own businesses intend to cover the cost of living by means of various business activities which are mostly in retail businesses; food stalls, and other businesses. Small businesses represent a significant proportion of the total number of establishments (over 98 percent) and employment (over 58 percent) in Malaysia. This allows greater access to more cross border entrepreneurs. In many cases, the success of their own business is also assisted by the locals who are willing to partner with them and hire shops for immigrants and who later become entrepreneurs themselves (Hassan, 2009). Having said this however, much of the research and its findings is yet to be made available, especially regarding Kuala Lumpur where most cross border entrepreneurs settle.

While the presence and contribution of immigrant entrepreneurs to economic growth and development in both New Zealand and Malaysia has been recognised, little is known about the issues and challenges they face. Earlier researchers pointed out that financial institutions have a very low incentive to provide finance for cross-border entrepreneurs (Kloosterman, 2000; Yoo,

2014). Issues such as regulation policies prescribed by the authorities and cultural dissimilarities, norms, and business habits have all been raised by the study of Enow (2010) and Azmat and Zutshi (2012). Although the lack of capital and financial resources are indeed major challenges for immigrant entrepreneurs, other challenges, including perceived discrimination, language and cultural predispositions as well as market penetration and inexperience also have a dramatic impact on cross border enterprises (Teixeira et al., 2007). Moutray (2008) however, argues that cross border entrepreneurs have to cope with taxes and other regulatory requirements that differ from country to country. In addition, tax and regulations, global competition, lack of market information, unequal distribution of opportunities, lack of awareness regarding regulatory policies and procedures and a lack of understanding about cultural differences, values and business traditions are equally noted by early empirical findings (Enow, 2010; Azmat and Zutshi 2012). Based on the studies reviewed, cross border entrepreneurs face many issues that affect their business success and subsequently better business prospects.

This research project focusses on cross border entrepreneurs in small retail businesses. It is, however, acknowledged that describing small businesses is much easier than defining ‘small business’ and that there is no generally accepted definition of ‘small business’. There has also not been consensus about the criteria used to define small business internationally. Some common criteria, such as the “number of employees, sales volume, and value of assets” are frequently used (Tocher et al., 2012). In this regard, the researchers use the definition of a small business for New Zealand as any enterprise employing 20 full-time employees or fewer (Auckland Chamber of Commerce, 2015). Whereas any enterprise which employs 50 full-time employees or fewer is considered to be a small business in Kuala Lumpur (SME Corp. Malaysia, 2016).

This research considers issues that are affecting immigrant entrepreneur business success which include; capital/finance, cost, training, quality and safety, competition and local authority’s rules and regulations as the major business issues and challenges. Similarly, indicators for business prospects are numerous. There has not been consensus on the definition of business success and prospects in the literature either (Tracy, 2000; Marques et al., 2005). Based on the literature reviewed (Martinez and Chernatony, 2004; Ghen and Liu, 2004; Adamu et al., 2013), this research has adopted six major items, namely; expected increase in sales turnover, expected increase in total revenue, expected increase in profit, expected increase in market share and number of employees as well as expected decrease in cost per unit of product sold. All of these items are measured based on the past three-year record for their business success and the expected results for the next three years for their business prospects. Based on the above discussion, a conceptual framework is presented in Figure 1 below. Six specific hypotheses are established for this research and are stated below.

H1: There is a significant relationship between cross border entrepreneurial issues and their business success in Auckland.

H2: There is a significant relationship between cross border entrepreneurial issues and their business success in Kuala Lumpur.

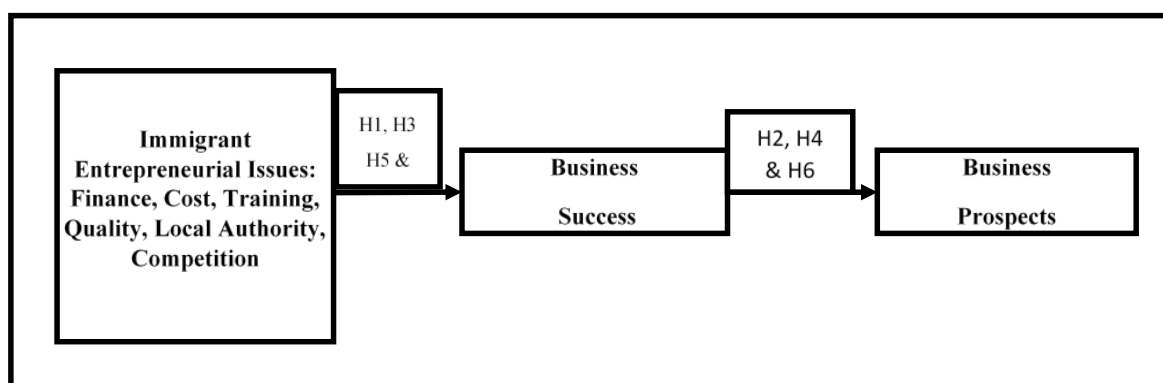
H3: There is a significant relationship between cross border entrepreneurial success and their business prospects in Auckland.

H4: There is a significant relationship between cross border entrepreneurial success and their business prospects in Kuala Lumpur.

H5: The relationship between business issues and business success for Auckland and Kuala Lumpur is similar and significant.

H6: The relationship between business success and business prospects for Auckland and Kuala Lumpur is similar and significant.





**Figure 1. A Conceptual framework for the research**

*Source: Developed by the authors*

## Research Method

This research project employed a mixture of both qualitative and quantitative methods. Quantitative data was obtained from primary data that was secured by means of a face to face questionnaire survey carried out on immigrant entrepreneurs of small retail business in Auckland and Kuala Lumpur. Secondary sources were primarily relevant empirical evidence from earlier studies. There were also two different time periods in 2015 when the surveys were conducted in both cities by using and replicating a similar format and content of the questionnaire. The questionnaire comprised three main components. First, an entrepreneur's profile such as gender, age, academic qualification, experience, training, employment history etc. Second, a business profile such as the type of retail business, year of establishment, the location of business, the number of employees, amount of capital invested, the size of the enterprise and source of capital. Third, included questions on the issues, and business prospects of an entrepreneur. Altogether, the questionnaire consisted of 20 items that measured various dimensions of business issues and challenges and 9 items about business prospects. The respondents were asked to provide their perception of their business issues and challenges, their business success, and business prospects based on a 5-point Likert-scale. These numbers represent: 1–strongly disagree, 2–disagree, 3–neutral, 4–agree and 5–strongly agree. Finally, 262 responses were analysed using SPSS version 22 for the Auckland survey.

The fieldwork for both studies was executed during 2015. For Auckland it was conducted between July and November 2015. Respondents were identified by a quota random sampling from the database of Auckland growth retail centres published by the Auckland City Council in 2015. The initial target number of respondents was 450 but a total of only 262 complete and usable responses was obtained. A response of 58.2 percent was therefore achieved.

The fieldwork survey for Kuala Lumpur, Malaysia was carried out between February and March 2015. A simple random sampling was employed to select the respondents among the study population. To do this a total of 10 business retail centres were identified. In each individual retail centre, 50 respondents were targeted. When a particular retail centre was identified, the snowballing technique was adopted to reach a sufficient number of the targeted respondents in each respectively identified centre. After a pilot survey had been conducted, the questionnaires were distributed to 500 respondents. The study generated 316 usable questionnaires which resulted in a response rate of 63.2

percent. Thus, both sample sizes of respondents in Auckland and Kuala Lumpur were adequate for analysis using SEM (Hair et al., 2010).

### **Measurement and Data Analysis**

The conceptual model of this research is explained through a three-dimensional construct consisting of business issues, and business prospects as illustrated in Figure 1. The analysis of data collected was performed through SPSS that was initiated in the separated files for Auckland and Kuala Lumpur respectively. This enabled the research to make a comparison between the two cities. After the data had been cleaned and screened, a descriptive analysis was executed before a quantitative analysis was undertaken. The purpose was to explore the demographic information regarding the immigrant entrepreneurs as well as their business enterprises.

The measurement of the latent constructs was made by adopting measures that were based on a 5-point Likert scale as stated earlier. The data collected through the questionnaires were analysed using SPSS. Initially, the data was cleaned and screened followed by the descriptive analysis. The purpose of doing descriptive analysis was to explore the demographic information of the immigrant entrepreneurs. In order to explore the dimensions with respect to the underlying items, exploratory factor analysis (EFA) was conducted. After conducting EFA, confirmatory factor analysis was applied to the measurement model using AMOS Version 22. Lastly, a structural model was developed and tested based on the stated hypotheses

### **Findings and Discussion**

#### **Characteristics of Cross Border Entrepreneurs and Their Enterprises**

Descriptive statistics indicate that the majority of respondents for both cities were male (see Table 1). However, there was a much lower proportion of male entrepreneurs in Auckland (63 percent) when compared to Kuala Lumpur (90.5 percent). A significant contrast was the countries of origin of entrepreneurs in these cities. A substantial majority of the respondents in Auckland came from countries of origin like China (33.6 percent), India (32.1 percent) and South Korea (8 percent), whilst most of the respondents in the sample from Kuala Lumpur came from three countries i.e. Bangladesh (40.8 percent), Pakistan (22.2 percent) and Indonesia (18.7 percent), which is understandable considering the different geographical locations of the two countries. It is also understandable that the different categories of migrants, their preferences and skills led to these discrepancies. New Zealand and Malaysia both have their own national cultures in which the retail industry has to face the challenge of cultural diversity. In fact, every individual country practices its own national culture, based on its ways of thinking, feeling and acting that are rooted in common values and societal conventions (Nakata and Sivakumar, 2001). The high proportion of migrants from Bangladesh, Pakistan, and Indonesia to Malaysia reflect similar values and societal conventions, whilst entrepreneurs from China, India and South Korea who have migrated to New Zealand appear to be relating more to their preferences and possible business opportunities.

The purpose of migration for the majority of the respondents was to do business in Auckland (30.5 percent) and Kuala Lumpur (36.1 percent). Nonetheless, there is a sharp difference between Auckland and Kuala Lumpur in terms of the proportion of skilled migration. Auckland tends to have a higher proportion of skilled migrants whereas Kuala Lumpur tends to attract fewer skilled migrants, i.e. 24.4 percent and 3.5 percent respectively. The discrepancy is due to the fact that the New Zealand Government's policy

focuses mainly on skilled migration, in addition to business migration (INZ, 2015). This is in contrast to Malaysia where there are 2.1 million registered immigrants and probably more than one million undocumented immigrants, together making up 15 percent of the Malaysian workforce in 2014, with a considerable proportion of them being unskilled (World Bank, 2016c). The higher skilled migration for Auckland is due to New Zealand being a high-income nation where skilled migration is more highly sought after than in a low middle income nation.

Meanwhile a substantial number of respondents did have the same prior business experience, i.e. 34.7 percent and 50.6 percent respectively for Auckland and Kuala Lumpur, while 26 percent and 40 percent respectively did have different business experience. The findings also show that the number of businesses with fewer than five employees made up 56.8 percent and 42.8 percent respectively for Auckland and Kuala Lumpur. Similarly, a total of 92.7 percent and 91 percent respectively sourced their start-up capital from personal capital and relatives for Auckland and Kuala Lumpur. The findings indeed verify some earlier evidence from studies of different cities (Kloosterman, 2000; Yoo, 2014).

### **Results of The Exploratory Factor Analysis (EFA) for Auckland and Kuala Lumpur**

The research aimed to explore issues that were affecting business success and business prospects for both Auckland and Kuala Lumpur. Exploratory Factor Analysis (EFA) was initially considered to be the most appropriate technique that complied with the nature of the study. Thus, a step by step approach was used in quantitative analysis, starting from the EFA followed by Confirmatory Factor Analysis (CFA) from the respective sets of survey data for Auckland and Kuala Lumpur. These were initiated before the Structural Equation Modelling (SEM) was used to conclude results. Furthermore, Cronbach's alpha ( $\alpha$ ) was calculated to establish alpha reliability, used to ascertain internal consistency of the measures used. The results indicated a value of 0.931 for Auckland and 0.86 for Kuala Lumpur; indicating highly reliable results. Subsequently, analysis of the EFA highlighted communalities as well as Kaiser-Meyer-Olkin (KMO) values which were used to interpret findings. Communalities have been explained in Appendices 1 and 2 regarding all seven factors. The results indicated that all values were greater than 0.5, satisfying the statistical requirements of  $\geq 0.5$  (Hair et al., 2010). Further, a KMO test was conducted to test sampling adequacy. A value of 0.858 for Auckland and 0.850 for Kuala Lumpur ensured that both cities had ensured adequate samples of data based on the KMO test.

**Table 1. Selected profile of immigrant entrepreneurs and their enterprises Auckland vs. Kuala Lumpur**

<b>Location:</b>		<b>Kuala Lumpur</b>	
<b>Entrepreneur profile</b>	<b>Auckland Percent (Sample 262)</b>	<b>Entrepreneur profile</b>	<b>Kuala Lumpur Percent (Sample 316)</b>
<u>Gender</u>		<u>Gender</u>	
Male	63 (165)	Male	90.5 (286)
Female	37 (97)	Female	9.5 (30)
Total Percentage	100 (262)	Total Percentage	100 (316)
<u>Migration Category</u>		<u>Migration Category</u>	
Business migration	30.5 (80)	Business migration	36.1 (114)
Skilled migration	24.4 (64)	Skilled migration	3.5 (11)
Family migration	16.8 (44)	Family migration	6.0 (19)
Working visa	12.2 (32)	Working visa	45.3 (143)



Student visa migration	6.9 (18)	Student visa migration	7.3 (23)
Others	9.2 (24)	Others	1.3 (4)
Total	100.0 (262)	Total	100.0 (316)
<u>Business Experience</u>		<u>Business Experience</u>	
Same business experience	34.7 (91)	Same business experience	50.6 (160)
Different business experience	26.0 (68)	Different business experience	40.0 (125)
No business experience	39.3 (103)	No business experience	9.8 (30)
Total	100.0 (262)	Total	100.0 (316)
<u>Country of Origin</u>		<u>Country of Origin</u>	
China	33.6 (88)	Bangladesh	40.8 (129)
India	32.1 (84)	Pakistan	22.2 (70)
South Korea	8.0 (21)	Indonesia	18.7 (59)
United Kingdom	3.1 (8)	India	5.4 (17)
Thailand	2.7 (7)	China	1.6 (5)
Other European	3.1 (8)	South Korea	1.6 (5)
Fiji	4.2 (11)	Myanmar	1.6 (5)
Philippines	0.8 (2)	Turkey	1.6 (5)
Others (Asian/Islanders)	12.6 (33)	Others	6.5 (21)
Total	100.0 (262)	Total	100.0 (316)
<b>Background of Enterprises</b>	<b>Percent (Sample)</b>	<b>Background of Enterprises</b>	<b>Percent (Sample)</b>
<u>Size of Enterprise (by Employment Size)</u>		<u>Size of Enterprise (by Employment Size)</u>	
Fewer than 5 employees	56.9 (149)	Fewer than 5 employees	42.8 (135)
5 to 9 employees	34.4 (90)	5 to 9 employees	33.2 (104)
10 employees and more	8.7 (23)	10 employees and more	24.0 (77)
Total	100 (262)	Total	100 (316)
<u>Sources of Started up Capital</u>		<u>Sources of Started up Capital</u>	
Personal capital	77.5 (203)	Personal capital	85.8 (271)
Relatives	15.2 (40)	Relatives	13.3 (42)
Others (friends, fellow country etc.)	7.2 (19)	Others (friends, fellow country etc.)	0.9 (3)
Total	100.0 (262)	Total	100.0 (316)

*Source: Compiled by the authors from the survey results*

Similarly, Bartlett's test of Sphericity was done to examine the extent of correlation between the variables in the construct. The test suggested a significant value of  $p < 0.001$  respectively for Auckland and Kuala Lumpur, affirming the requirement of sufficient correlation between the variables. In addition to that, results indicated 7 factors (based on eigenvalues of more than 1) with a cumulative variance of 68.663 percent for Auckland and 67.249 for Kuala Lumpur, both of which represent a satisfying benchmark value of 60 percent and above. The individual percentage variance by each factor was found to be highest in Factor 1 of 26.278 percent and 26.271 percent respectively for Auckland and Kuala Lumpur, while the lowest in Factor 7 is 3.951 percent and 3.860 percent respectively. The other five factors have their respective percentage variances that are listed in Appendices 1 and 2. However, the majority of the factor loadings of extracted items were less than 0.85, avoiding the multi-collinearity issues. To finalize EFA, seven factors were categorized under three main constructs namely; business prospects, business success and business issues. Similarly, the  $\alpha$ -reliability value of each item was examined; they ranged from 0.715 to 0.924 (all items were above 0.7) ensuring individual item reliability. Lastly, factor loadings from

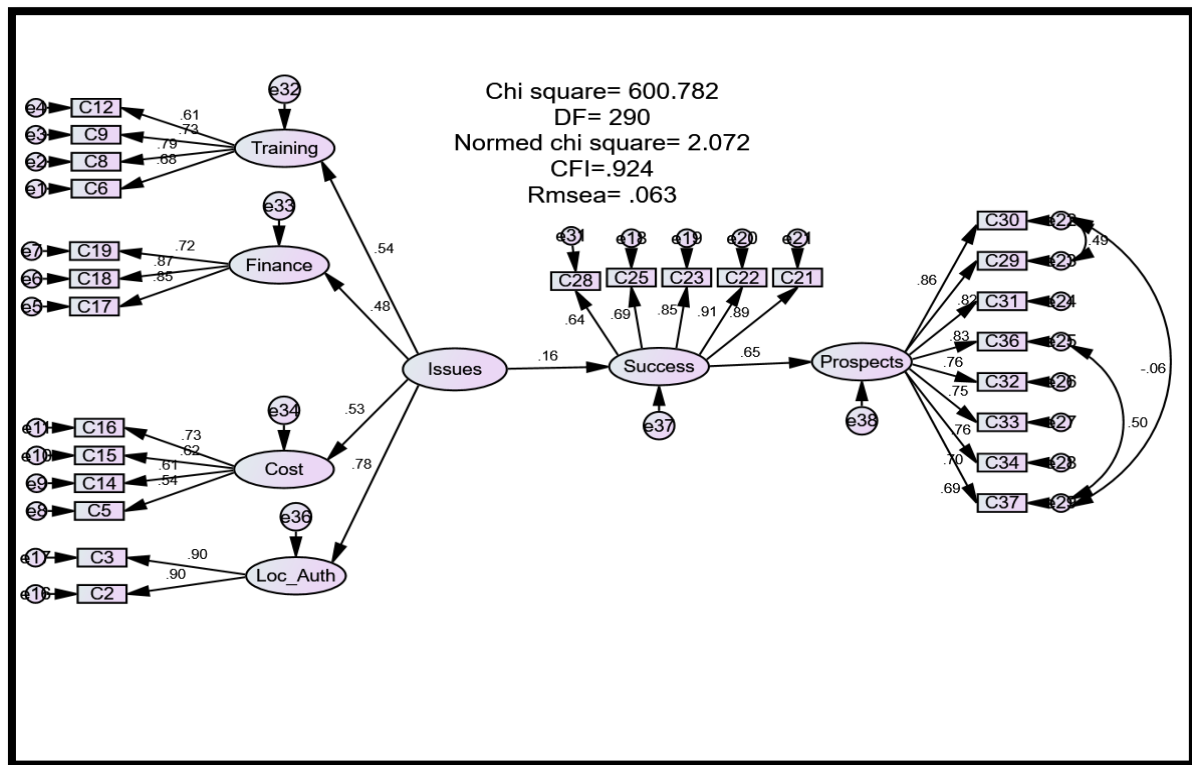
the rotated component matrix were taken into account. The rationale of examining factor loading in the rotated component matrix is to ascertain majority loadings that should be above 0.6 to perform CFA (Hair et al., 2010).

### **Confirmatory factor analysis (CFA) and structural equation model (SEM) of Auckland and Kuala Lumpur**

After running the EFA, results of both sets of data were tested through CFA using AMOS software, applied to the three major factors (as obtained from EFA). The maximum likelihood method was used to assess three measurement models for respective factors. In order to conclude and test EFA results, different fit indices were taken into account. Commonly used indices such as Comparative Fit Index (CFI) and Root Mean Square Error of Approximation (RMSEA) were considered appropriate to test CFA results (Hair et al., 2010; Kline, 2011). These fit indices were examined and the values were analysed to achieve a better model fitness. Later, the models were modified and the analyses were run again to avoid discrepancies. Items which could not achieve acceptable factor loadings were removed later to reach satisfactory results. After multiple attempts, the fitness of model was achieved to satisfy CFI value (greater than 0.90) and RMSEA value (less than 0.08) (Hair et al., 2010). The Structural Equation Modelling (SEM) was conducted to examine the causal relationship between the three grouped variables separately for Auckland and Kuala Lumpur.

The findings supported the proposed hypotheses to examine relationships which fit the observed data as shown in Figures 2 and 3 respectively for Auckland and Kuala Lumpur. One such example was  $\chi^2/df = 2.072$  and  $\chi^2/df = 2.238$  for Auckland and Kuala Lumpur respectively that were less than the par value of 3. Furthermore, the CFI value for this study was 0.924 and 0.918 respectively for Auckland and Kuala Lumpur (which should be greater than 0.9) along with a RMSEA value which was 0.063 for both (which should be less than 0.08). The two indicators satisfy the goodness of measures. Thus, a constructed conceptual model for Auckland and Kuala Lumpur was established to represent the whole population of cross border entrepreneurs of small retail business.

Furthermore, the causal relationship was found to be significant ( $p < 0.05$ ) as explained by the structural paths. The two paths as shown in the conceptual framework included, firstly immigrant business issues in relation to business success and secondly, the path between immigrant business success and their business prospects. The representation of path coefficients can be seen in Figure 1. All hypothesized paths, significant values, path coefficients as well as other testing results from SEM for both cities are shown in Figures 2 and 3 respectively for Auckland and Kuala Lumpur.



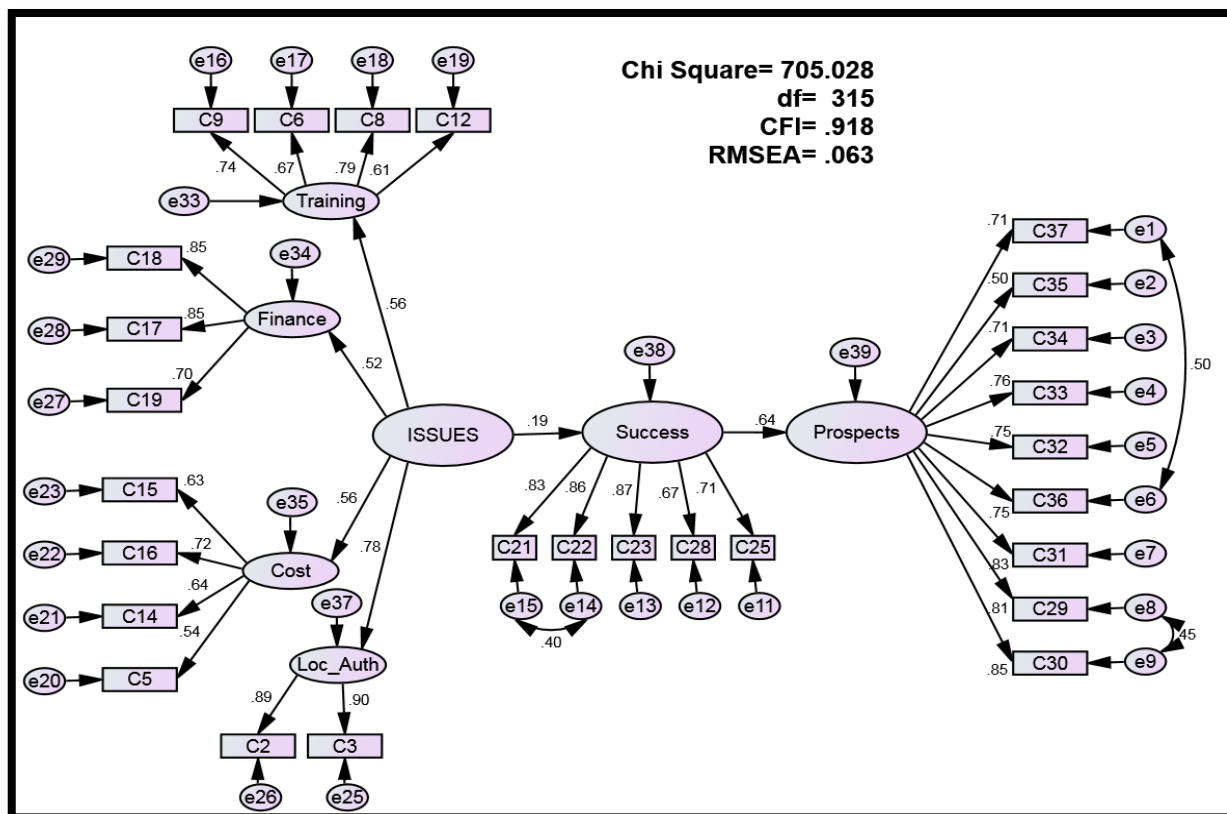
**Figure 2. Evidence of the structural equation model (SEM) for Auckland**

*Source: Compiled by the authors*

Specifically, the results of Auckland's cross border entrepreneurs could be illustrated as follows: First, the path coefficients between entrepreneurial issues and business success factors are 0.16 with a significance level of  $p = 0.043$ , which is a highly significant relationship. Second, the path coefficient between business success factors and its prospects was found to be 0.65 ( $p = 0.000$ ) that explains an insignificant relationship between the two factors.

The results of Kuala Lumpur's cross border entrepreneurs could be stated as follows: First, the path coefficients between entrepreneurial issues and business success factors are 0.19 with a significance level of  $p = 0.027$ , which is a highly significant relationship. Second, the path coefficient between business success factors and its prospects was found to be 0.64 ( $p = 0.000$ ) that explains a significant relationship between the two factors.

On the basis of the first numbered evidence the path coefficients for Kuala Lumpur appeared to be strong by 0.03 and the significance level was lower by 0.016 as opposed to Auckland in the relationship between business issues and business success. Though such discrepancy is observed, it does not make any difference as both cities recorded a  $p$  value which is still below 0.05 reflecting a strong path relationship between business issues and business success. Thus, it verifies the hypotheses one and three (H1 and H3) stated earlier for both cities. The second evidence that compares business success and business prospects revealed a relatively stronger path coefficient for both cities with over 60 percent explanatory power which exists. Noting this, nonetheless, the Auckland's evidence was found to be higher by 0.01



**Figure 3. Evidence of the structural equation model (SEM) for Kuala Lumpur**

*Source: Compiled by the authors*

Observing this evidence, hypotheses two and four (H2 and H4) were also supported, indicating a positive relationship between cross border entrepreneurial success and cross border entrepreneurial prospects for both cities. On the basis of the above results, hypotheses five (5) and six (6) are also supported and verified to be true thereby indicating that there are similarities between Auckland and Kuala Lumpur in terms of the significant relationships between business issues and business success, and between business success and business prospects.

The research endorsed the conceptual framework described in the earlier part of the article. Similarly, the research concludes that there are specific issues or factors that positively contribute to the business success of cross-border entrepreneurs in Auckland and Kuala Lumpur, while business success has a positive relationship with business prospects. Indeed, certain business issues such as availability and accessibility of financial facilities, relatively low cost of conducting business, quality products, and conducive business environments and regulation provided by the authorities significantly affect the business success of cross border entrepreneurs in Auckland and Kuala Lumpur. Simultaneously, with the increase in the business success of cross border entrepreneurs in Auckland and Kuala Lumpur, there is a better chance that their business prospects will also be progressing and developing in future.

### Implications, limitations and conclusions

An implication is that greater contributions towards a country's GDP could be reaped, should the understanding of business issues confronting them be moderated into the positive policies applicable to them. This may reflect the overall growth of small businesses in which the cross border entrepreneurs are involved, given the possibility that they would potentially contribute to economic growth activities in the country. It further endorses the previous similar studies of Bates

(1999), Rahmandoust et al. (2011), and Lin (2015) who found that the benefits of immigrant entrepreneurs in the host country are not only a source of physical capital investment but job creation for local workers as well. These immigrants are also able to introduce diverse products and services. Moreover, this finding supports those of earlier scholars who gave due recognition to establishment and expansion of new small businesses in a country (Lin, 2015; Ribeiro-Soriano and Mas-Verdú, 2015). In order to attain long-term economic growth, the involvement of entrepreneurs is definitely essential and meaningful (Forsman, 2011; McKeever et al., 2014).

From the research findings, it can be further pointed out that cross border entrepreneurs could be a great source of entrepreneurial development and future economic impetus to New Zealand and Malaysia respectively. This could be the case to other recipient nations as well. The findings are also in line with the positive United Nations' Report on International Migration and Development (UN, 2013). Nonetheless, coverage of policy should be much wider as Wadhwa et al. (2007) revealed that social embeddedness, market orientation, and new business development are challenging areas for immigrants entrepreneurs as well.

Based upon the findings a number of implications can be drawn from the constructed structural model that business issues positively affect business success, being associated strongly with the business prospects of cross border entrepreneurs in small retail enterprises. Knowing about such important research findings local authorities, of both countries, should consider some policy recommendations on particular business issues.

First and foremost is the availability and accessibility of finance to cross border entrepreneurs. As finance is the lifeblood of any business, the logical implication is that greater financial availability would allow entrepreneurs to fully tap into their potential entrepreneurial talent, creativity and innovation with fewer constraints. However, providing financial availability alone may not be sufficient without providing greater financial access as well as providing a range of credit facilities to which cross-border entrepreneurs may not be able to gain access. It also limits possible business expansion. Thus, availability and accessibility of credit would consequently create substantial business prospects for Auckland and Kuala Lumpur.

Second is the role of the local authority in facilitating the presence of cross border entrepreneurs and recognising their contribution to the local economy. From the reviewed evidence from the US, UK and some other European countries, it is clear that the contributions of cross-border entrepreneurs are huge. Thus it is also important for Auckland and Kuala Lumpur to provide solid policy support programmes towards creating a conducive and competitive business environment. There are a number of areas on which the local authorities of Auckland and Kuala Lumpur could focus their efforts, namely providing business advisory services, marketing information and market research. Effective and transparent taxation systems and pioneer status as well as infrastructure support are also important. All of this would make a considerable difference in creating a more competitive business presence and prospects for cross-border entrepreneurs in Auckland and Kuala Lumpur.

Third is training facilities and provisions. Any training availability and accessibility in any form such as language training, upgrading language, technical skills training, or managerial training, could make a huge difference to business issues that eventually lead to better business prospects for cross-border entrepreneurs in both cities. Concomitant to this, it would be fair to argue that any policy support, planned, and implemented for cross border entrepreneurs in Auckland and Kuala Lumpur, should be an integral and vital part of the overall mainstream policy support programmes for small business in both countries.

The conclusions and implications that were drawn from the evidence of the small business surveys from Auckland and Kuala Lumpur respectively may not necessarily be applicable to other parts of either country. Although the results are significant for both Auckland and Kuala Lumpur, the overall results may not be representative for all economic sectors in both countries as the surveys were restricted to small retail businesses in the two major cities only. These stated limitations require further and much wider research before detailed deductions can be made. Thus, more similar research projects in other cities are essential to sufficiently illustrate the bigger picture in both countries and to refine the comparisons in future as well.



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**Appendix 1. Results of the exploratory factor analysis (Auckland)**

Items	F1 Business Prospects	F2 Business Success	F3 Training	F4 Finance	F5 Cost	F6 Quality & Safety	F7 Local Authority
C30	.847						
C29	.823						
C31	.803						
C36	.776						
C32	.738						
C33	.727						
C34	.685						
C37	.676						
C21		.823					
C22		.799					
C23		.789					
C28		.693					
C25		.650					
C27		.617					
C8			.774				
C12			.770				
C6			.730				
C9			.722				
C18				.882			
C17				.852			
C19				.776			
C15					.774		
C16					.743		
C14					.662		
C5					.584		
C11						.857	
C10						.816	
C13						.706	
C1							.769
C2							.768
C3							.759
Initial Eigenvalues	8.146	4.076	2.619	2.029	1.717	1.474	1.225
Percent of variance	26.278	13.148	8.448	6.545	5.537	4.755	3.951
Cumulative percent	26.278	39.426	47.874	54.419	59.957	64.712	68.663

**Appendix 2. Results of the exploratory factor analysis (Kuala Lumpur)**

Items	F1 Business Prospects	F2 Business Success	F3 Training	F4 Finance	F5 Cost	F6 Quality & Safety	F7 Local Authority
C30	.852						
C29	.820						
C31	.812						
C36	.754						
C32	.739						
C33	.710						
C34	.709						
C37	.687						
C35	.401						
C21		.829					
C22		.817					
C23		.789					
C28		.688					
C25		.683					
C27		.623					
C12			.766				
C8			.759				
C6			.742				
C9			.730				
C18				.880			
C17				.825			
C19				.753			
C15					.789		
C16					.743		
C14					.668		
C5					.574		
C11						.845	
C10						.794	
C13						.704	
C2							.769
C3							.758
C1							.755
Initial Eigenvalues	8.407	4.015	2.747	1.984	1.675	1.455	1.237
Percent of variance	26.271	12.547	8.585	6.199	5.233	4.548	3.860
Cumulative percentage.	26.271	38.818	47.404	53.603	58.603	63.385	67.249